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# ***Leasing Activities Information***

**MMS** U.S. Department of the Interior  
Minerals Management Service  
Gulf of Mexico OCS Region

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**DRAFT**

## **ELECTRONIC FUNDS TRANSFER PROCEDURES**

(PROPOSED NOTICE OF OCS SALE 175: NOVEMBER 1999)

The MMS proposes to require bidders to use Electronic Funds Transfer (EFT) for the deposit of the 1/5 bonus for Central Gulf of Mexico Sale 175. The MMS considers every signed bid to be a legally binding obligation on the part of the bidder(s) to comply with all applicable regulations, including paying the 1/5 bonus deposit on all high bids. The statement, "This bid legally binds the bidder(s) to comply with all applicable regulations, including paying the 1/5 bonus on all high bids, as provided in the Notice of Sale." MUST appear on each signed bid form submitted by bidders at Sale 175.

### **SECURING EFT DEPOSITS**

The MMS will not require all bidders to provide additional security (in addition to the statement on the bid form, described above) for EFT deposits. In that way, requirements for securing EFT deposits will be different than requirements used in recent sales.

### **Bidders who do NOT have to provide additional security for EFT deposits.**

If you are a current OCS lease holder or if you are now a designated operator for a federal OCS property, AND if you have never defaulted on 1/5 bonus payments (via EFT or otherwise), you do NOT have to provide additional security for your EFT 1/5 bonus payment. The statement included on the bid form is sufficient to secure the EFT 1/5 bonus payment. No other security, e.g., certified check or letter of credit or amended areawide bond, will be required if you meet the above criteria. Please note that ALL qualified companies with the MMS that currently have ownership or operating right interest in a lease awarded by MMS meet these criteria at present.

Should you default on the 1/5 bonus payment by EFT, any or all of your bids for Sale 175 (at the MMS's discretion) may be rejected. Additionally, you will be required to secure EFT 1/5 bonus deposits in future federal OCS lease sales.

**Bidders who MUST provide additional security for EFT bonus deposits.**

If you do not have ownership or operating rights in a federal OCS property, OR if you have ever defaulted on a 1/5 bonus payment in a previous OCS sale, you MUST secure your EFT 1/5 bonus payment using one of the following methods. (Please Note: No current qualified company with the MMS that currently has ownership or operating right interest in a lease awarded by MMS would need to secure their EFT 1/5 bonus deposits at this time.)

Methods for securing EFT 1/5 bonus payments (for bidders with no current interest in an OCS property):

- (1) *Third party guaranty.* If you use this option to secure EFT 1/5 bonus deposits, the third party that guarantees your 1/5 EFT bonus payments must be exempt from supplemental bond requirements, an active federal OCS lease holder, and must expressly consent to guarantee your EFT 1/5 bonus payments. The MMS must receive the express written consent of guarantee prior to bid submission.

Should you default on the 1/5 bonus payment by EFT, the MMS will call upon the third party to cover the delinquent payment.

- (2) *Amended Areawide Coverage.* If you use this option to secure EFT 1/5 bonus payments, you must amend your \$3 million areawide development bond by a Rider from the issuing surety to contain provisions that the bond may be used to cover pre-lease obligations. All other terms and conditions for the bond must remain unchanged. You must have the Rider notarized and approved by the MMS prior to submitting bids for OCS Lease Sale 175.

If the \$3 million areawide development coverage is through a U.S. Treasury Note, the MMS must receive and approve a notarized letter from the bidder agreeing to the terms that the Treasury Note may be used to cover pre-lease obligations prior to bid submission for Sale 175. That provision must remain in effect until you make your EFT deposit.

Should you default on the 1/5 bonus payment by EFT, the MMS will call the bond/Treasury Note to cover the delinquent payment.

- (3) *A Letter of Credit (LOC).* If you use this option to secure EFT 1/5 bonus payments, you must use the enclosed sample clean, stand-by, irrevocable LOC (Attachment 1) with no modifications. [A *clean LOC carries all provisions in itself; a stand-by LOC deals only with the payment of the documented sums within the stated periods; and an irrevocable LOC requires consent of both the MMS and the bidder for any changes to it.*] No later than one week prior to the OCS sale, you must submit a LOC for at least 1/5 of the sum of all bids

that you submit for a federal OCS lease sale, including joint bids to:

Attention: Mr. Carrol Williams  
MMS Gulf of Mexico Region  
Sales and Support Unit (MS 5422)

The LOC must have a minimum coverage period of 120 days beginning with the date of the Sale (March 15, 2000). The LOC must be from a bank incorporated in the United States that has a minimum Thomson BankWatch rating of:

"C" for an LOC of less than \$1 million;  
"B/C" for an LOC between \$1 million to \$10 million;  
or  
"B" for an LOC over \$10 million.

You are responsible for verifying that the bank provides a current rating to the MMS. The issuing bank must submit this rating with each LOC. If the issuing bank's rating falls below the minimum acceptable level, you must submit a satisfactory replacement surety or the MMS may consider the bids to not be appropriately secured and therefore invalid.

If the institution issuing the LOC becomes insolvent, the MMS will require an immediate replacement surety unless the current LOC is transferred, in whole, and completely honored by the receiving institution. If you do not provide a replacement surety, the MMS may consider the bids to not be appropriately secured and therefore invalid.

Once you make the appropriate EFT deposit, the MMS will promptly return the LOC to you. Alternatively, you may pick up your LOC from the Gulf of Mexico Region's Adjudication Unit upon verification that your appropriate EFT deposit was complete and timely.

Should you default on the 1/5 bonus payment by EFT, the MMS will call the LOC to cover the delinquent payment.

- (4) *Lump Sum Check*. If you use this option to secure your EFT 1/5 bonus payments, you must make your lump sum certified or cashiers check payable to the order of the U.S. Department of the Interior--Minerals Management Service. You must submit that check in a separate sealed envelope from the bid envelopes.

You must make the lump sum check for at least 1/5 of the sum of all bids that you make for a federal OCS lease sale, including joint bids. Bidding combines may submit multiple checks. The envelope containing the payment(s) should be in the following format:

LUMP SUM CHECK SECURING EFT PAYMENTS  
Oil and Gas Lease Sale 175  
Submitted by: *Bidder Name*  
GOM Company No.: *Bidder Number*

Once you make the appropriate EFT deposit, the MMS will return the lump sum check(s) to you, or alternatively, you may pick up the lump sum check(s) from the Adjudication Office, Gulf of Mexico Regional Office.

The MMS will deposit the lump sum payment(s) accompanying the bids into the appropriate United States Treasury account should you default on the high 1/5 bonus payment by EFT. Should the deposit of the lump sum check(s) result in a refund to you, the MMS will transmit that refund without interest through EFT as soon as practicable.

**PROCEDURES FOR USING EFT FOR PAYMENT OF THE 1/5 BONUS BID DEPOSIT**

- (A) Bidders should contact MMS Royalty Management (see below) by the Bid Submission Deadline to designate an EFT coordinator and to confirm EFT procedures to be used. Joint bidders must designate one bidder as EFT coordinator. The EFT coordinator refers to you, the bidder, i.e., the corporation, company, or partnership submitting the bid(s), or an individual citizen submitting bids on his or her own behalf (NOT an individual within a corporation/company/partnership) for an OCS Lease Sale. As EFT coordinator, you must submit the bids and ensure that 1/5 of the total high bid cash bonus is transferred to the MMS via EFT.

MMS Royalty Management contacts for EFT matters:

Nancy Huston (303) 231-3128  
Kathy Jarrett (303) 231-3669  
Joe Romero (303) 231-3123  
Telefax (for all Royalty Management matters) (303) 231-3501

MMS Royalty Management addresses for EFT matters:

**Mail**

MMS Royalty Management Program  
P.O. Box 25165, MS 3131  
Denver, CO 80225-0165

**Courier Service**

MMS Royalty Management Program  
Building 85; Room A-212  
Denver Federal Center  
Denver, CO 80225

- (B) On the Phone Numbers/Addresses of Bidders Form submitted with the bids to the MMS OCS Regional Office, you must provide the following:

The name and telephone and fax numbers (including the area code) of both your EFT contact and an alternate contact (Section IV of the Form). The MMS will contact that person to resolve any EFT problems.

Please note:

The EFT **contact** refers to an individual within a company, partnership, or corporation, or an individual named by a citizen working on the citizen's behalf; and the EFT **coordinator** refers to you, the company, partnership, corporation or individual citizen submitting the bid(s).

- (C) A report denoting the total amount required for EFT payment will be available at the sale site shortly after the conclusion of bid opening. Additionally, this report will be available on the MMS Gulf of Mexico homepage Internet site as soon as practicable on the afternoon of bid opening. It is your responsibility to obtain this report. If you are unable to obtain this notification of your EFT liability at the sale site or via the Internet, you may contact Ms. Vicki Zatarain at (504) 736-2779 to arrange receiving your notification through telefax.
- (D) You must make the 1/5 bonus EFT payment by either the Fedwire Deposit System (same day payments) or the Automated Clearing House (overnight payments). After notification, you should instruct your bank to send 1/5 of the sum of your high bid bonuses via EFT to the appropriate United States Treasury account. Attachments 2, Fedwire Deposit System, and 3, Automated Clearing House, provide the specific instructions and message formats for the payments.
- (E) The MMS must receive your EFT payment for 1/5 of your total high bid bonuses in the appropriate United States Treasury account no later than 2:00 p.m., Eastern time, on the day after bid opening. Please make one EFT payment to secure your bids on all of the blocks on which you were the high bidder.
- (F) The MMS will assess interest penalties on the outstanding balance of deficient or missing EFT 1/5 bonus payments not received by the MMS by 2:00 p.m., Eastern time, on the day after bid opening. Interest penalties will accrue (on a daily basis) from the due time and date until the MMS receives the EFT payment.

If MMS does not receive full payment by 2:00 p.m., Eastern time, on the second business day following bid opening, the MMS may consider you to be in default of your legal obligation. The MMS may reject any or all of your valid high bids (at the MMS's discretion) due to a deficient or missing EFT payment. The MMS will collect deficient or missing EFT 1/5 bonus payments plus interest by drawing on the instrument used to secure the EFT payment where applicable, and/or use

other available means to ensure payment. In addition, the MMS will require you to secure EFT 1/5 bonus payments for future federal OCS sales.

- (G) You must assure that your bank makes payment on time. You are responsible for accurate EFT deposits. Your responsibility extends to any bank payment message coding error that prevents the payment from reaching the appropriate MMS account. You must immediately contact the MMS Royalty Management Program if the bank is unable to complete the EFT due to mechanical or any EFT systems failure. Should any such third party errors arise and not be corrected by 2:00 p.m., Eastern time, the day following bid opening, interest penalties (to a maximum of two days interest) will accrue until you deposit the payment plus interest into the appropriate United States Treasury account.

You are not responsible for any reasonable delays caused by MMS errors. For example, if the MMS supplies you with an erroneous account code, you are not held responsible for any reasonable delays that this may cause. When the MMS notifies you of an error or when you or your financial institution notice an error, you must immediately contact the MMS Royalty Management Program to resolve the error and deposit the 1/5 bonus payment into the appropriate United States Treasury account.

**Attachment 1**  
**Letter of Credit**

**BANK LETTERHEAD**

Bank Address

Letter of Credit

Bank \_\_\_\_\_

Bank Address \_\_\_\_\_

Bank ABA Number \_\_\_\_\_

Clean, Stand-by, Irrevocable Letter of Credit No. \_\_\_\_\_

This Letter of Credit is effective March 15, 2000.

Expiration date is at the close of business on July 13, 2000.

Beneficiary:

Minerals Management Service  
Royalty Management Program  
Denver, Colorado 80225

Sir or Madam:

We hereby establish our clean, stand-by, irrevocable Letter of Credit in your favor and authorize drawing(s) on (Bank) \_\_\_\_\_ by order(s) and for account of (GOM Company Number, Company Name, Address) \_\_\_\_\_

\_\_\_\_\_ up to an aggregate amount of \$ \_\_\_\_\_ available by your drafts at sight.

The amount of the accompanying sight draft will be due and payable to the Minerals Management Service of the U.S. Department of the Interior as a result of deficient electronic funds transfer payment of 1/5th of the sum of high bids submitted for Sale 175 on (Date) March 15, 2000 and further that (GOM Company Number, Company Name) \_\_\_\_\_ has for a period of more than 2 business days neglected, failed, or refused to pay the sufficient amount although notified to do so by the Minerals Management Service of the U.S. Department of the Interior.

The payment is available upon sight draft.

Partial drawings are permitted under this Letter of Credit, and it is expressly provided herein that there may be more than a single drawing on this Letter of Credit, so long as the sum of the amounts drawn does not exceed the full amount of the Letter of Credit. Any partial drawings will reduce pro tanto the remaining aggregate balance available to be drawn. The beneficiary may draw hereunder by manner of a sight draft, an amount not to exceed the unused balance of this Letter of Credit.

We certify that the amount of the credit herein established will not be reduced for any reason during the period of this instrument without your written consent.

Except as expressly stated herein, this Letter of Credit is the individual obligation of the bank and is not subject to any condition or qualification and is not contingent on the ability of the bank to perfect a lien, security interest, or any other reimbursement. This credit cannot be modified or revoked without the consent of the beneficiary.

We hereby engage with the beneficiary that draft(s) drawn under and in compliance with the terms of this Letter of Credit will be duly honored when presented in person or delivered by registered mail or courier service at \_\_\_\_\_ (name of Bank and its address) if such presentment or delivery is made on or before the expiration date shown above.

We will promptly notify you of any notice received or action filed alleging the insolvency or bankruptcy of the Bank, or alleging any violations of regulatory requirements which could result in suspension or revocation of the Bank's charter or license to do business.

In the event the Bank becomes unable to fulfill our obligations under this Letter of Credit for any reason, notice shall be given immediately to the beneficiary.

This Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500. If this Letter of Credit expires during an interruption of business as described in Article 17 of said Publication No. 500, the bank hereby specifically agrees to effect payment if this Letter of Credit is drawn against within 30 days after the resumption of business.

IN WITNESS WHEREOF, the bank has hereunto set its signature and seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
(Issuing Bank)

\_\_\_\_\_  
(Authorized Officer)

ACKNOWLEDGMENT

On this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me, a Notary Public in and for the County of \_\_\_\_\_, in the State of \_\_\_\_\_, appeared \_\_\_\_\_ to me personally known who, being by me duly sworn, did say that he/she is \_\_\_\_\_ of \_\_\_\_\_, the bank named in and which executed the within instrument, and that the seal affixed to said instrument is the seal of said Bank, and that said instrument was signed, sealed and delivered in behalf of said Bank by authority of its Board of Directors, and he/she, as such, offer acknowledged said instrument to be the free act and deed set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day, month and year aforesaid.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for said  
County and State

\_\_\_\_\_  
Date

# Fedwire Deposit System

## FUNDS TRANSFER MESSAGE FORMAT

|  |     |     |  |  |  |
|--|-----|-----|--|--|--|
| (1)  |     | (2) |  |  |  |
| 021030004                                  |     |     |  |  |  |
| (3)  | (4) | (5) |  |  |  |
|  |     |     |  |  |  |
| (6)  |     |     |  |  |  |
|  |     |     |  |  |  |
| (7)  | (8) | (9) |  |  |  |
| TREAS NYC/CTR/BNF=/AC-14170001 RFB=DOI,MMS |     |     |  |  |  |
| (10)                                       |     |     |  |  |  |
| OBI=                                       |     |     |  |  |  |
|  |     |     |  |  |  |

| <u>Field</u> | <u>Content</u> |
|--------------|----------------|
|--------------|----------------|

- |   |   |
|---|---|
| 1 | <u>RECEIVER-DFI#</u> - Treasury's ABA (American Bankers Association) number for deposit messages is 021030004. This number remains constant and is required for all your funds transfer messages sent to the U.S. Treasury for Minerals Management Service. |
| 2 | <u>TYPE-SUBTYPE-CD</u> - The type and subtype code will be provided by the sending bank.  |
| 3 | <u>SENDER-DFI#</u> - This 9-digit number will be provided by the sending bank.  |
| 4 | <u>SENDER-REF#</u> - The 16-character reference number is inserted by the sending bank at its option.   |
| 5 | <u>AMOUNT</u> - The transfer amount must be punctuated with commas and decimal point; use of the "\$" is optional. This item will be provided by the payor.   |
| 6 | <u>SENDER-DFI-NAME</u> - This information is automatically inserted by the Federal Reserve Bank.  |

**FIELDS 7, 8, AND 9 ARE CRITICALLY IMPORTANT. THESE ITEMS MUST APPEAR ON THE FUNDS TRANSFER DEPOSIT MESSAGE IN THE PRECISE MANNER AS STATED TO ALLOW FOR THE AUTOMATED PROCESSING AND CLASSIFICATION OF THE FUNDS TRANSFER MESSAGE TO THE AGENCY LOCATION CODE (ALC) OF THE MINERALS MANAGEMENT SERVICE.**

| <u>Field</u> | <u>Content</u>   |
|--------------|--|
| 7            | <u>RECEIVER-DFI-NAME</u> - Treasury's name for deposit messages is "TREAS NYC/".   |
| 8            | <u>PRODUCT CODE</u> - A product code of "CTR" for customer transfer must be used in the RECEIVER - TEXT field. A slash, "/", must be entered after the product code.   |
| 9            | <u>AGENCY LOCATION CODE AND AGENCY NAME</u> - The ALC refers to the eight-digit numeric symbols used to identify MMS. The MMS's unique code, "14170001", must be specified in the funds transfer message for the funds to be correctly credited to MMS. The ALC identification sequence includes the beneficiary code field tag, "BNF=", and identifier code, "/AC-", followed by the appropriate ALC number. After the ALC, the agency name is needed. This is done by using "RFB=" followed by the abbreviations "DOI, MMS". These abbreviations will facilitate the research process should problems arise. Fields 7, 8, and 9 should be in the following format: |

**TREAS NYC/CTR/BNF=/AC-14170001 RFB=DOI,MMS;**

10 PAYMENT INFORMATION - The detailed information in this field must include:

**OBI=**

**Lease sale number**, for example SALE 101

**Company name and OCS Qualification Number** for the bidder who makes the payment

**1/5 Bid Submission-** The words "One Fifth Bid for \_\_\_\_\_ leases". The number of leases company is high bidder on will go in the blank.

Field 10 is limited to 220 characters. If field limit is exceeded, multiple wire transfers will be necessary. Samples of funds transfer messages are included on the following pages.

# Fedwire Deposit System *(For Illustration Purposes Only)*

## 1/5 BID SAMPLE MESSAGE FORMAT

Example of Fedwire Payment information for Bogus Oil & Gas payment of \$5,432,000.60 for OCS Sale 101. The OCS Qualification Number assigned to Bogus Oil&Gas is 1999. Bogus Oil&Gas is high bidder on 23 leases.

|                    |                      |                |
|--------------------|----------------------|----------------|
| (1)                |                      | (2)            |
| 021030004          | *                    |                |
| <hr/>              |                      |                |
| (3)                |                      | (4)            |
| *                  |                      | (5)            |
|                    | *                    | \$5,432,000.60 |
| <hr/>              |                      |                |
| (6)                |                      |                |
| <hr/>              |                      |                |
| (7)                | (8)                  | (9)            |
| TREAS NYC/CTR/BNF= | /AC-14170001         | RFB=DOI,MMS    |
| <hr/>              |                      |                |
| (10)               |                      |                |
| OBI=Sale 101;      | #1999 BOGUS OIL&GAS; | One Fifth bid  |
| <hr/>              |                      |                |
| 23 leases          |                      |                |
| <hr/>              |                      |                |

# Automated Clearing House

## FUNDS TRANSFER MESSAGE FORMAT

The following form is designed as an aid for the OCS lease sale bidders in providing complete and accurate data to their banks for the payment of the 1/5 bid amounts. The following payment record format is for an ACH CCD+ (Cash Concentration and Disbursement plus Addendum).

### Payment Record Format

| Data Element Name     | Contents              | Size | Position |
|-----------------------|-----------------------|------|----------|
| Record Type Code      | '6'                   | 1    | 01-01    |
| Transaction Code      | '22'                  | 2    | 02-03    |
| Receiving ABA         | '05103670'            | 8    | 04-11    |
| Check Digit           | '6'                   | 1    | 12-12    |
| Account Number        | '312011'              | 17   | 13-29    |
| Payment Amount        | \$\$\$\$\$\$\$\$¢¢    | 10   | 30-39    |
| Identification Number | (Optional)            | 15   | 40-54    |
| Receiver Name         | 'MMS OCS Lease Sale'  | 22   | 55-76    |
| Discretionary         | * (not required)      | 2    | 77-78    |
| Addenda Indicator     | '1' (addenda present) | 1    | 79-79    |
| Trace Number          | Assigned by your bank | 15   | 80-94    |

Addenda Record Format for TOTAL 1/5 Bid Amount

| Data Element Name    | Contents   | Size | Position |
|----------------------|--|------|----------|
| Record Type Code     | '7'  | 1    | 01-01    |
| Addenda Type Code    | '05'   | 2    | 02-03    |
| Payment Related      | REF*SM* <b>1</b> \REF*2U* <b>2</b> --\NTE** <b>3</b> ---\<br>(See below for details of items indicated by the large numbers) | 80   | 04-83    |
| Sequence Number      | Addenda number starting at 0001  | 4    | 84-87    |
| Addenda Trace Number | Same as last seven number of detail trace number   | 7    | 88-94    |

**1-** OCS Lease Sale Number, example '101'

**2-** Company OCS Qualification Number, examples '1999' or 'YK999'

**3-** The words “OneFifth Bonus for \_\_\_\_ leases” The number of leases Bogus is high bidder on go in the blank.

The following is an example of the "Payment Related" addenda record field for Bogus Oil&Gas1/5 bonus bids for OCS lease sale number 101. The OCS Qualification Number assigned to Bogus Oil&Gas is #1999. The Payment Amount (see Payment Record format) of the ACH transfer is \$1,235,000.60. Bogus is high bidder on 15 leases.

**REF\*SM\*101\REF\*2U\*1999\NTE\*\*OneFifth Bonus for 15 leases\**

The asterisks (\*) and the back slashes (\) are required items.